

Eric J. Krathwohl, Esq.
Direct: (617) 556-3857
Email: ekrathwohl@richmaylaw.com

November 18, 2005

VIA E-FILING & HAND DELIVERY

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 05-61; Milford Water Company


Dear Ms. Cottrell:

Enclosed for filing please find Milford Water Company's responses to the following Information Requests of the Department of Telecommunications and Energy Settlement Intervention Staff in the above-captioned matter: 7, 8, 10, 11, 16, 17, 18, 19, 20, 21, 22, 25, 26, 27.

We hope to file the responses to the rest of the First Set of Information Requests in the near future.

Any questions on this matter should be directed to the undersigned.

Very truly yours,



Eric J. Krathwohl

Encl.

cc: Shaela McNulty Collins, Esq., Hearing Officer – Settlement Intervention Staff
John Geary, Esq., Hearing Officer – Adjudicatory Staff
Gerald M. Moody, Esq.
Henry C. Papuga, Manager
Stephen B. Alcott

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**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

FIRST SET OF STAFF INFORMATION REQUESTS OF THE SETTLEMENT INTERVENTION STAFF TO
MILFORD WATER COMPANY
DTE 05-61

SIS 1-7 Refer to page 3 of Exhibit SBA-1. Please itemize and describe the \$2,427 expended for "Miscellaneous Non-operating Income."

Response: The \$2,427 referenced is part of net non-operating income. The Company's audited income statement shows the following breakdown for Account 566:

566-0000	Income – Misc. Non-operating	\$13,473.43
566-0100	Loss on disposal	(15,899.93)
566-2000	Contract-Milford Sewer Dept	831.26
566-5000	Contract-Mendon Water Dept	2,673.55
566-6000	Mendon Subcontract work	<u>1,349.07</u>
	TOTAL ACCOUNT 566	\$ 2,427.38

The \$15,899.93 loss on disposal is the difference between the accumulated depreciation and the original cost of items retired during the test year. The proposed adjustment removes this deduction from revenue for rate making purposes. (The \$13,473.43 miscellaneous income is rent received for cell phone antennae.)

Respondent: Stephen B. Alcott
Response Date: November 18, 2005

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SIS 1-8 Refer to page 3 of Exhibit SBA-1. Please explain the \$579 expended for "Flat Rate Sales to General Customers."

Response: **These revenues were received for water use from company hydrants; users include contractors and landscapers.**

Respondent: Stephen B. Alcott
Response Date: November 18, 2005

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SIS 1-10 Refer to page 4, lines 7 and 8, of the prefiled testimony of Mr. Alcott. Please provide complete and detailed documentation of the derivation of Milford's revenue requirement, which has not otherwise been provided in the initial filing.

Response: **The witness believes that complete and detailed supporting documentation for the proposed revenue requirement has been provided in the tables, schedules and workpapers as filed, with the exception of supporting details for the post test year additions summarized on Schedule A-5 of Exhibit SBA 1. The details as of the time of filing are set forth in the following tabulation. As noted in the footnote to Schedule A-5 the Company proposes to update these amounts once the 2005 construction has been completed.**

Project Components	Estimated	Depreciation	Annual Amount
	Cost	Rate	
Reactivate slow sand filter #1	\$150,000	5.00%	\$7,500
Install flow control valve @ Echo Lake Dam	5,000	5.00%	250
Install water main on Beaver Street	10,000	1.67%	167
Purchase St improvements	25,000	4.00%	1,000
Install 4" master meter @ Godfrey Brook station	7,500	4.00%	300
Install 4" master meter @ Clarks Island station	5,000	4.00%	200
Construct new crew break room @ 68 Dilla Street	86,005	2.50%	2,150
Install continuous pH & chlorine equip @ Godfrey Br.	14,775	10.00%	1,478
Purchase office technology upgrades	36,000	4.75%	1,710
Godfrey Brook well improvements	2,000	3.33%	67
Furnish & install radio read meters for monthly accts	175,000	2.50%	4,375
Implement security systems @ facilities	65,000	5.00%	3,250
Totals	\$581,280	3.86%	\$22,446
Total Post Test Year Additions (rounded)	\$581,000	3.86%	\$22,400

Respondent: Stephen B. Alcott
Response Date: November 18, 2005

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SIS 1-11 Refer to page 5, lines 3 and 4, of the prefiled testimony of Mr. Alcott, where Milford states that expenses increased 23 percent for a compound annual rate of approximately 2.7 percent. Please provide the corresponding increases in sales over the same period.

Response: **Total sales used in the 1998 rate case were 129,962,700 cubic feet. Total sales used in the present case are 119,285,900 cubic feet. This is a total decrease of 8 percent. On a compound basis the decrease is approximately 1 percent.**

Respondent: Stephen B. Alcott
Response Date: November 18, 2005

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SIS 1-16 Refer to Milford's proposed M.D.T.E. No. 17, Original Sheet 8. Please explain whether Milford requires any Department ruling or accounting approval of the creation of a deferred account to book purchased water expenses until their recovery through the proposed Surcharge For Water Purchased mechanism.

Response: **The Company believes that if the Department approves the Surcharge for Water Purchased, such approval will suffice and that this surcharge mechanism would work like many others that utilities have used in recent years, e.g. SOSFA, Fuel/Power Cost charges, Cost of Gas Adjustment Clauses. Each is supported by a tariff (here that would be an approved M.D.T.E. 17, Sheet 8) and implemented through a filing by the Company and approved by the Department. If any additional steps or approvals were deemed to be required, the Company would respectfully suggest that the Department specify and authorize those in its order approving the Surcharge for Water Purchased, if that is deemed appropriate.**

Respondent: Counsel
Response Date: November 18, 2005

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SIS 1-17 Refer to pages 19 (Schedule R-9) and 52 (WP-MISC EXP) of Exhibit SBA-1. Please explain whether Milford's proposed adjustment for purchased water, combined with its proposed Surcharge For Water Purchased would result in an over recovery of purchased water expense through the inclusion in rates of both a normalized level of purchased water costs in metered service rates and in a surcharge mechanism.

Response: **The Company does not expect the Department to approve both the proposed Surcharge for Water Purchased and the pro forma adjustment for purchased water. As stated on Workpaper WP-MISC EXP, the Company included the pro forma adjustment as an "alternative remedy" for the Department's consideration. The Company recognizes that implementation of the proposed surcharge may present procedural issues. It will require some effort to accomplish. The pro forma adjustment, on the other hand, would be easier to implement.**

The Company anticipates further discussion with the Department regarding the best approach for recovering the cost of purchased water.

Respondent: Stephen B. Alcott
Response Date: November 18, 2005

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DTE 05-61

SIS 1-18 Refer to Milford's proposed M.D.T.E. No. 17, Original Sheet 8. Please explain whether Milford intends to implement the Surcharge For Water Purchased on an automatic basis, or seek approval from the Department prior to implementing any rate changes under the proposed surcharge mechanism.

Response: Like any other change in charges to customers, this surcharge should have some Department review. However, in formulating the proposed surcharge the Company anticipated a relatively automatic procedure which would not require extensive review time. The Department's review at this time would define an approval process to assure that surcharges are reasonably applied and would comply with that process. At the time of a Company proposal for a rate change under the surcharge, the Department could check the accuracy of calculations and reasonableness of charges, like the Department's review most recently in Standard Offer Service Fuel Adjustment (SOSFA) reviews.

Respondent: Stephen B. Alcott
Response Date: November 18, 2005

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SIS 1-19 Please explain in detail how the proposed Surcharge for Water Purchased will be presented on customer bills.

Response: **The Company proposes to add a line item to customer bills showing the amount of the surcharge.**

Respondent: Stephen B. Alcott
Response Date: November 18, 2005

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SIS 1-20 Refer to page 4, lines 7 and 8, of the prefiled testimony of Mr. Alcott. Please provide complete and detailed documentation of the derivation of Milford's rate structure changes requirement, which has not otherwise been provided in the initial filing.

Response: **The requirements for the proposed rate structure changes were derived in the course of the Company's review of the March 9, 2005 Comprehensive Compliance Evaluation and possible rate structure changes were discussed in the course of preparing the rate case. The available documentation is as follows:**

(1) The March 9, 2005 Comprehensive Compliance Evaluation, a copy of which is provided in response to SIS 1-23. Page 15 of 47 presents the DEP discussion regarding conservation rates and pages 46 and 47 list several "recommendations".

Respondent: Stephen B. Alcott
Response Date: November 18, 2005

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SIS 1-21 Refer to page 6 of the prefiled testimony of Mr. Alcott. Please explain the basis for limiting the rate effects under the proposed Phase 1 to an overall increase of 20 percent.

Response: The basis for proposing a two step increase and limiting the first step to an amount that does not yield the Company's full revenue deficiency was that the bill impacts of implementing the full 37% increase at once would be burdensome for a number of the Company's customers. The Company determined that it could reasonably continue to provide the requisite level of service as long as it received a significant rate increase in the first step and then received the rest of the indicated revenue deficiency one year later. The first step limit of 20% was deemed appropriate because roughly it represents annual increases of about the level of inflation over the time period since the Company's last rate increase.

Respondent: Henry C. Papuga
Response Date: November 18, 2005

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SIS 1-22 Refer to page 6 of the prefiled testimony of Mr. Alcott. Please provide complete and detailed documentation in support of Milford's testimony that it will be "losing" money between Phase 1 and Phase 2.

Response: **The Company's position is that the Phase 2 rates reflect the ongoing, current costs of operation and the Phase 1 rates, by definition, are insufficient to meet those costs. As shown on Table 4 of Exhibit SBA 1, gross income under Phase 2 rates is \$1,048,838 while under Phase 1 rates gross income is \$632,232. The difference, \$416,606, is "lost" to the Company during the year Phase 1 rates would be in effect.**

Respondent: Stephen B. Alcott
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SIS 1-25 Refer to Milford's proposed M.D.T.E. No. 17, Original Sheet 1. Please explain Milford's proposal to set the "conservation rate" at twice the regular metered service rate.

Response: **The Company's proposed rate structure changes are based on its understanding of DEP suggestions regarding conservation rates. As referenced in response to SIS 1-20, page 15 of the March 9, 2005 Comprehensive Compliance Evaluation discusses conservation rates and in particular includes the following:**

"To encourage conservation DEP recommends that the highest step ... be at least twice the base rate."

Respondent: Stephen B. Alcott
Response Date: November 18, 2005

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SIS 1-26 Please provide copies of any studies done to show how Milford's proposed rate design works to achieve water conservation. In addition, provide complete and detailed documentation of the data showing that doubling rates will result in water conservation.

Response: **While the Company is aware of the general proposition of price elasticity of demand, the Company has not performed any studies to evaluate how the proposed rate design will work to achieve water conservation and does not possess documentation showing the effect on conservation of doubling water rates. Anecdotally, the Company is aware of customer intentions to cut back on now-essential uses such as lawn watering at significant levels of price increases.**

Respondent: Stephen B. Alcott
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SIS 1-27 Refer to pages 4, 5 and 9 of the prefiled testimony of Mr. Alcott. Identify and describe in detail the factors Milford considered in deciding how much to increase rates.

Response: **The primary factor in deciding how much to increase rates was the results of the analysis of the Company's revenue deficiency with reference to Department precedent. Specifically, the Company believes that the full (Phases 1 and 2) requested rate increase is consistent with Department precedent. While the Company is not seeking to have the full rate increase go into effect in 2006, that proposed one year delay for a portion of the rate increase is a result of trying to mitigate the impacts on customers.**

Respondent: Henry C. Papuga
Response Date: November 18, 2005

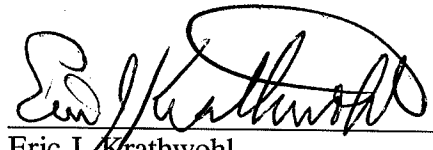
COMMONWEALTH OF MASSACHUSETTS
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AND ENERGY

D.T.E. 05-61

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding in accordance with the requirements of 220 CMR 1.05(1) (Department's Rules of Practice and Procedure).

Dated at Boston, Massachusetts this 18th day of November, 2005


Eric J. Krathwohl
Counsel

Of Counsel for
Milford Water Company